

Narrative for Test 5 – 2012

Federal Return

Forms Required:

Form 1040, Sch C, Sch D, Sch E, Sch SE, (2)Form 2555, Form 4972, Form 6252, Form 2439, (2)Form 8949, Form 4562, Form 8606, W-2 & (3)1099-R

Statements:

Statement #1: Form 2555 Line 44: \$3,314

Statement #2: Form 1040 Line 21: (\$42,286)

Taxpayer(s) Information:

Name: Mickey C. Mouse

Spouse Name: Minnie P. Mouse

SSN: 400-00-4905

Spouse SSN: 400-00-4906

Address: 123 Front Street

Punta Gorda, Belize

Daytime Phone Number: 502-776-6234

Presidential Election Campaign: Yes

Spouse Presidential Election Campaign: Yes

Filing Status Information: Married Filing Jointly

Number of Exemptions: 2

Form 1040 Line Item Information:

Income:

Line 7: Wages salaries, etc: \$16,800

Line 12: Business Income or (loss): \$39,475

Line 13: Capital gain or (loss) (Sch D): \$(3,000)

Line 15a: IRA distributions: \$12,100

Line 15b: Taxable amount: \$10,475

Line 16a: Pension & annuities: \$44,000

Line 16b: Taxable amount: \$42,000

Line 17: Rental real estate royalties, partnerships, S Corp, trust, etc. (Sch E): \$31,168

Line 21: Other Inc. (\$36,686) (\$5,600) see stmt 1&2: (\$42,286)

See line 45 of Form 2555 for the amount for Mickey C Mouse and Minnie P Mouse

Line 22: Total Income: \$94,632

Adjusted Gross Income:

Line 27: One-half of self-employment tax (Sch SE): \$2,789

Line 36: Add lines 23-35: \$2,789

Line 37: Adjusted Gross Income: \$91,843

Tax and Credits:

Line 38: Adjusted Gross Income: \$91,843

Line 39a: DOB: 04-15-1935

Disabled: No

Blind: No

DOB: 04-15-1945

Disabled: No

Blind: No

Line 39a: Total number of boxes checked: 2

Line 40: Itemized deductions (Sch A) or standard deduction: \$14,200

Line 41: Subtract line 40 from line 38: \$77,643

Line 42: Exemptions: Multiply \$3,800 by the number on line 6d: \$7,600

Line 43: Taxable Income: \$70,043

Line 44: Tax (Form 4972): \$20,491

Line 46: Add lines 44 and 45: \$20,491

Line 55: Subtract line 54 from line 46: \$20,491

Other Taxes:

Line 56: Self-employment (Sch SE): \$4,849

Line 61: Total Tax: \$25,340

Payments:

Line 62: Federal income tax withheld (W-2 and 1099): \$13,370

Line 63: 2012 Estimated tax payments and amount applied from 2011 return: \$7,000

Line 68: Amount paid with request for extension to file: \$1,000

Line 71: Credits from Form 2439: \$100

Line 72: Total payments: \$21,470

Line 76: Amount you owe: \$3,870

Additional Information:

Your occupation: Sport Fishing Guide

Spouse occupation: Waitress

Third Party Designee:

Name: John Doe
Phone #: (888) 556-1111
PIN: 11122

Preparer's Information:

Name: Robert R. Roberts	PTIN: P23456789
SSN: 400-00-4903	Email Address: robbie@robertsenterprises.com
Firm Name: Roberts Enterprises	
Address: 645 Salem Street Rich Square, NC 27869	EIN: 56-6868686
Originator Type: ERO	Phone #: (252) 556-1313

Schedule C

Name of Proprietor: Mickey Mouse

Social Security Number: 400-00-4905

Line a: Principal business or profession, including product or service: Sport Fishing Guide

Line b: Business code: 114110

Line c: Business name: Punta Gorda Sport Fishing

Line e: Business Address: 101 Front St Punta Gorda, Belize

Line f: Accounting Method: Cash

Line g: Did you "materially participate: in the operation of this business during 2012? Yes

Part I: Income

Line 1b: Gross receipts or sales: \$291,200

Line 3: Subtract line 2 from line 1: \$291,200

Line 5: Gross Profit: \$291,200

Line 7: Gross Income: \$291,200

Part II: Expenses

Line 8: Advertising: \$600

Line 13: Depreciation and section 179: \$236,200

Line 15: Insurance: \$650

Line 22: Supplies: \$1,275

Line 26: Wages: \$5,000

Line 27a: Other (Start Up Expenses): \$8,000

Line 28: Total expenses: \$251,725

Line 29: Tentative profit or (loss): \$39,475

Line 31: Net profit or (loss): \$39,475

Part V: Other Expenses

Start Up Expenses: \$8,000

Line 48: Total other expenses: \$8,000

Schedule D

Part I: Short Term Capital Gains and Losses

Name: Mickey C. Mouse

SSN: 400-00-4905

Line 1e: Totals: \$65,958

Line 1f: Totals: \$70,471

Line 1h: Totals: \$(4,513)

Line 2e: Totals: \$44,968

Line 2f: Totals: \$43,204

Line 2h: Totals: \$1,764

Line 6: Short-term capital loss carryover: \$(13,794)

Line 7: Net short-term capital gain or (loss): \$(16,543)

Part II: Long-Term Capital Gains and Losses

Line 8e: \$124,438

Line 8f: \$124,279

Line 8h: \$159

Line 9e: Totals: \$7,883

Line 9f: Totals: \$5,485

Line 9h: Totals: \$2,398
Line 11: Gain from Form 4797, 2439 and 6252: \$2,852
Line 13: Capital gain distributions: \$279
Line 15: Net long-term capital gain or (loss): \$5,688
Line 16: Total: (\$10,855)
Line 21: Total loss allowed enter on line 13 of the 1040: (\$3,000)

Form 8949 #1

Part I: Short Term Capital Gains and Losses

Name: Mickey C. Mouse
SSN: 400-00-4905
Box B: Short-term gains and losses no Basis
Line 1e: \$44,968
Line 1f: \$43,204
Line 2e: Totals: \$44,968
Line 2f: Totals: \$43,204

Part II: Long-Term Capital Gains and Losses

Name: Mickey C. Mouse
SSN: 400-00-4905
Box B: Long-term gains and losses no Basis
Line 3e: \$7,883
Line 3f: \$5,485
Line 4e: Totals: \$7,883
Line 4f: Totals: \$5,485

Form 8949 #2

Part I: Short Term Capital Gains and Losses

Name: Mickey C. Mouse
SSN: 400-00-4905
Box A: Short-term gains and losses with basis
Line 1e: \$65,958
Line 1f: \$(70,471)
Line 2e: Totals: \$65,958
Line 2f: Totals: \$(70,471)

Part II: Long-Term Capital Gains and Losses

Name: Mickey C. Mouse
SSN: 400-00-4905
Box A: Long-term gains and losses with basis
Line 3e: \$124,438
Line 3f: \$124,279
Line 4g: \$159
Line 4e: Totals: \$124,438
Line 4f: Totals: \$124,279
Line 4g: \$159

Schedule E

Part II: Income or Loss

Line 27: No

Line 28:

(a)	(b)	(d)	(g)	(j)
A – Mouse Films	P	56-9876541	\$23,268	
B – Mouse Mills LLC	P	59-3219876		\$7,900

Line 29a(g): Totals: \$23,268

Line 29a(j): Totals: \$7,900

Line 30: Totals: \$31,168

Line 32: Total partnership and S corporation income or (loss): \$31,168

Line 41: Total income or (loss): \$31,168

Schedule SE

Name: Mickey C. Mouse

SSN: 400-00-4905

Section A: Short Schedule SE

Line 2: Net profit or (loss) from Schedule C line 31: \$39,475

Line 3: Combine lines 1a, 1b and 2: \$39,475

Line 4: Multiply line 3 by 92.35% (.9235): \$36,455

Line 5: Self-employment tax: \$4,849

Line 6: Deduction for employer-equivalent portion or self-employment tax: \$2,789

Form 2555 #1

Name: Mickey C. Mouse

SSN: 400-00-4905

Part I: General Information

Line 1: Foreign address: 123 Front St; Punta Gorda, Belize

Line 2: Your occupation: Sport Fishing Guide

Line 3: Employer's Name: Punta Gorda Sport Fishing

Line 4b: Employer's foreign address: 101 Front St; Punta Gorda, Belize

Line 5c: X – Self

Line 6a: The last year you filed form 2555 and 2555-EZ: 2011

Line 6c: Have you ever revoked either of the exclusions? No

Line 7: Of what country are you a citizen/national? United States

Line 8a: Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home? No

Line 9: List your tax home(s) during your tax year and date(s) established: Punta Gorda, Belize 02-10-2001

Part II: Taxpayers Qualifying under Bona Fide Residence Test

Line 10: Date bona fide residence began: Began 02-10-2001 & Ended 12-31-2011

Line 11a: X – Purchased house

Line 12a: Did any of your family live with you abroad during any part of the year? Yes

Line 12b: If yes who? Spouse, 02-10-2001 to 12-31-2012

Line 13a: Yes

Line 13b: Yes

Line 15a: None

Line 15b: Enter the type of visa under which you entered the foreign country: Employment

Line 15c: No

Line 15d: No

Part IV:

Line 20a: \$40,000

Line 24: \$40,000

Line 26: \$40,000

Part V:

Line 27: \$40,000

Line 27: No

Part VII:

Line 38: 366 (days)

Line 39: 1.000

Line 40: \$95,100

Line 41: \$40,000

Line 42: Foreign earned income exclusions: \$40,000

Line 43: \$40,000

Line 44: \$3,314

Line 45: Enter results on Form 1040 Line 21: \$36,686

Form 2555 #2

Name: Minnie Mouse

SSN: 400-00-4906

Part I: General Information

Line 1: Foreign address: 123 Front St; Punta Gorda, Belize

Line 2: Your occupation: Waitress

Line 3: Employer's Name: Ron's Rib Rack on the River

Line 4b: Employer's foreign address: 15 River Front Rd; Punta Gorda, Belize

Line 5a: X – Foreign entity

Line 6a: The last year you filed form 2555 and 2555-EZ: 2011

Line 6c: Have you ever revoked either of the exclusions? No

Line 7: Of what country are you a citizen/national? United States

Line 8a: Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home? No

Line 9: List your tax home(s) during your tax year and date(s) established: Punta Gorda, Belize 02-10-2001

Part II: Taxpayers Qualifying under Bona Fide Residence Test

Line 10: Date bona fide residence began: Began 02-10-2001 & Ended 12-31-2011

Line 11a: X – Purchased house

Line 12a: Did any of your family live with you abroad during any part of the year? Yes

Line 12b: If yes who? Spouse, 02-10-2001 to 12-31-2012

Line 13a: Yes

Line 13b: Yes

Line 15a: None

Line 15b: Enter the type of visa under which you entered the foreign country: Employment

Line 15c: No

Line 15d: No

Part IV:

Line 19: \$5,600
Line 24: \$5,600
Line 26: \$5,600

Part V:

Line 27: \$5,600
Line 27: No

Part VII:

Line 38: 366 (days)
Line 39: 1.000
Line 40: \$95,100
Line 41: \$5,600
Line 42: Foreign earned income exclusions: \$5,600
Line 43: \$5,600
Line 45: Enter results on Form 1040 Line 21: \$5,600

Form 4972

Name of Recipient: Mickey C. Mouse
ID #: 400-00-4905

Part I:

Line 1: Yes
Line 2: No
Line 3: Yes
Line 4: No
Line 5a: No
Line 5b: No

Part II:

Line 6: \$8,650
Line 7: \$1,730

Part III:

Line 8: \$39,450
Line 10: Total taxable amount: \$39,450
Line 12: Adjusted total taxable amount: \$39,450
Line 13: \$10,000
Line 14: \$19,450
Line 15: \$3,890
Line 16: Minimum distribution allowance: \$6,110
Line 17: \$33,340
Line 19: \$33,340
Line 23: \$3,334
Line 24: \$409
Line 25: \$4,090
Line 29: \$4,090
Line 30: Tax on lump-sum distribution: \$5,820

Form 6252

Name: Mickey C. Mouse

SSN: 400-00-4905

Part I

Line 1: Lakefront Property

Line 2a: 02-20-1995

Line 2b: 05-01-2004

Line 3: No

Part II:

Line 19: Gross profit percentage: 40%

Line 21: Payment received during year: \$2,130

Line 22: \$2,130

Line 23: \$22,967

Line 24: \$852

Line 26: \$852

Form 2439

Regulated Investment Co:	Acme Investment Corp
Investment Co. St. Address:	2041 Invest St
Investment City, State & Zip Code:	Austin, TX 78774
Investment Co. ID #:	11-1111111
Shareholder's Identification #:	400-00-4905
Shareholder's Name (First, MI, Last):	Mickey C. Mouse
Shareholder's St. Address:	123 Front Street
Shareholder's City, State & Zip:	Punta Gorda, Belize
Box 1a: Total Undistributed Long - Term Capital Gains	\$2,000
Box 2: Tax Paid by Investment Co -	\$100

Form 4562

Name: Mickey C. Mouse

Business or Activity: Sport Fishing Guide

Identifying Number: 400-00-4905

Part I:

Line 1: Maximum amount: \$139,000

Line 2: Total Cost of section 179 property: \$475,000

Line 3: Threshold cost of section 179 property: \$560,000

Line 5: \$139,000

Line 6a: Description of Property – Computer

Line 6b: Cost basis - \$400,000

Line 6c: Elected cost - \$139,000 (Section 179 expense)

Line 8: Total elected cost of section 179 property: \$139,000

Line 9: Tentative deduction: \$139,000

Line 11: Business income limitation: \$139,000

Line 12: Section 179 expense deduction: \$139,000

Part II:

Property placed in service with cost basis of \$75,000

Line 14: Special depreciation allowance: \$37,500

Part III:

Section B: Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

Line 19b:

(c)	(d)	(e)	(f)	(g)
\$298,500	5 years	HY	200 DB	\$59,700

**Note: Computer placed in service on 01-01-2012*

Part IV:

Line 22: Total: \$236,200

Form 8606

Name: Mickey C. Mouse

Home address: 123 Front Street

Foreign country name: Punta Gorda

Foreign province: Belize

Line 7: \$10,475

Line 15: \$10,475

Direct Deposit Account Information:

***** This refund involves an International ACH Transaction (IAT). *****

Name of Institution:	Wachovia
RTN:	053107633
Account #:	222333478
Type of Account:	Checking

W-2 Information:

<i>Form W-2 #1:</i>	
b. Employer Identification #:	99-1234567
c. Employer's Name, Address & Zip Code:	Ron's Rib Rack on the River 15 River Front Rd Punta Gorda, Belize
d. Employee's SS#:	400-00-4906
e. Employee's Name (First, MI, Last):	Minnie P. Mouse
f. Employee's Address & Zip Code:	123 Front St. Punta Gorda, Belize
Box 1 Wages, tips, etc.:	16,800
Box 2 Federal Income Tax withheld:	2,520
Box 3 Social Security Wages:	16,800
Box 4 Social Security Tax withheld:	706
Box 5 Medicare Wages & Tips:	16,800
Box 6 Medicare Tax withheld:	168

1099-R Information:

<i>Form 1099-R #1:</i>	
Payer's Name, Address & Zip Code:	Provolone Credit Union 106 Provolone Center Sandwich, MA 02563
Payer's Federal ID #:	04-2131324
Recipient's ID#:	400-00-4905
Recipient's Name (First, MI, Last):	Mickey C. Mouse
Recipient's Street Address:	123 Front Street
Recipient's City, State & Zip:	Punta Gorda, Belize
Box 1 Gross Distribution:	12,100
Box 2A Taxable Amount:	10,475
Box 4 Federal Tax Withheld:	1,475
Box 7 Distribution Code:	7
Box 7 IRA/SEP/Simple:	X
Box 11 State	MA 911144477

Form 1099-R #2:	
Payer's Name, Address & Zip Code:	Pumpnickel & Rye Hoagie
	87 Subway Center Sandwich, MA 02563
Payer's Federal ID #:	04-9876542
Recipient's ID#:	400-00-4906
Recipient's Name (First, MI, Last):	Minnie P. Mouse
Recipient's Street Address:	123 Front Street
Recipient's City, State & Zip:	Punta Gorda, Belize
Box 1 Gross Distribution:	44,000
Box 2A Taxable Amount:	42,000
Box 3 Capital Gains	6,000
Box 4 Federal Tax Withheld:	2,675
Box 7 Distribution Code:	7
Box 11 State	MA 987543162

Form 1099-R #3:	
Payer's Name, Address & Zip Code:	Associated Retirement
	1402 Restful Way Atlanta, GA 30301
Payer's Federal ID #:	04-1466321
Recipient's ID#:	400-00-4905
Recipient's Name (First, MI, Last):	Mickey C. Mouse
Recipient's Street Address:	123 Front Street
Recipient's City, State & Zip:	Punta Gorda, Belize
Box 1 Gross Distribution:	48,100
Box 2A Taxable Amount:	48,100
Box 3 Capital Gains	8,650
Box 4 Federal Tax Withheld:	6,700
Box 7 Distribution Code:	7A
Box 11 State	MA 956431287

Narrative for Test 5 – 2012

State Return

Important: The information and line numbers on the Department's tax forms and instructions as well as references to line numbers on federal income tax forms are based on the most current information available. Please be advised this information is subject to change based on possible federal tax provision changes.

Form D-400 Information:

Form D-400 & Form D-400TC

Taxpayer(s) Information:

Name: Mickey C. Mouse

Spouse Name: Minnie P. Mouse

SSN: 400-00-4905

Spouse SSN: 400-00-4906

Address: 123 Front Street

Punta Gorda, Belize

County of Residence: Blank

(No county or foreign country code needed)

Daytime Phone Number: 502-776-6234

NC Public Campaign Fund: No

Spouse NC Public Campaign Fund: No

NC Political Parties Financing Fund: Unspecified

Spouse NC Political Parties Financing Fund: Libertarian

** Note: Taxpayer was born before 1/02/1945.*

Full Year Resident: No

Spouse Full Year Resident: No

Filing Status: Married Filing Jointly

Number of Exemptions: 2

Line 6: Federal Adjusted Gross Income: \$91,843

Line 10: North Carolina Adjusted Gross Income: \$60,943

Line 17: North Carolina Taxable Income: \$0

Line 22: Total Tax: \$0

Line 26: Total Payments: \$955

Line 33: Amount to be refunded: \$955

Line 37: Total additions: \$79,975

Line 50: Total deductions: \$110,875

Deductions from Federal Taxable Income:

Note: The bonus depreciation and 179 Expense deductions add back will be 20% over the next 5 years.

- Tax year 2008 Bonus depreciation add back: \$10,625
- Tax year 2009 Bonus depreciation add back: \$21,250
- Tax year 2010 Bonus depreciation add back: \$31,875
- Tax year 2011 Bonus depreciation add back: \$42,500
- Tax year 2010 179 Expense deduction add back: \$127,500
- Tax year 2011 179 Expense deduction add back: \$63,750

Additional Information:

- Both taxpayers were residents of Massachusetts for the entire year and they have chosen to file a joint NC return.
- The taxpayers were out of the country on April 15
- Mickey C. Mouse received NC source income from Mouse Films: \$4,685
- Minnie P. Mouse received NC source income from Mouse Films: \$1,742
- Mickey C. Mouse received a capital loss from NC source income: \$(1,473)
- 2012 Estimated Tax Payments: \$900
- Mickey elected to exclude from his regular federal income tax computation a Lump-sum distribution from his retirement plan in the amount of: \$48,100
- Payment made by Mouse Mills LLC on behalf of Mickey Mouse: \$55

Form D-400 TC Line Item Information:

Part 4: Other Tax Credits

Line 29a: Rehabilitation expenses for income-producing historic mill facility located in a Tier 3 county calculated at 30%: \$500

Line 37: Total (the amount on this line may not exceed the tax shown on form D-400, line 14): \$0

Direct Deposit Account Information:

***** This refund involves an International ACH Transaction (IAT). *****

Name of Institution:	Wachovia
Routing Number:	053107633
Account Number:	222333478
Type of Account:	Checking